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170-2

Office Memorandum • UNITED STATES GOVERNMENT

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TO :

DATE: 31 July 1952

FROM :

OGC Has Reviewed

SUBJECT: Housing Problem -- FRU/FEC

File

1. I attended a meeting with representatives of Administrative Services in connection with the above subject. Among those present were [REDACTED]. The subject matter of the discussion was rather brief and appears in the succeeding paragraphs.

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25X6 2. Facts - Pursuant to an agreement executed between the [REDACTED] 25X6 Government and FRU/FEC, the former is obligated to construct approximately thirty houses varying between two and three bedroom ramblers. Ten of the thirty houses are approximately one-half complete. It appears that the subcontractor was performing the contract out of its own funds and reached a point where further capital was required. The [REDACTED] Government felt that since the housing was primarily for the benefit of service personnel of the United States Government, that any financing should be forthcoming from the United States Government. From a strict legal standpoint, obviously this does not follow, but since it is in fact an agreement between sovereigns and it is not desired at this time to make an issue of the financing matter, some effort is being exerted to finance the subcontractor with an attendant protection of United States Government interest.

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3. There is no legal obstacle to financing the subcontractor through a progress payment method or an advance payment method using the [REDACTED] Government as the proper channel and looking to it for responsibilities and supervision of the advance or progress payments. Under this arrangement it would appear proper to require that the [REDACTED] Government obtain a completion or performance bond from its subcontractor and that funds drawn from an advance account or made on a progress payment basis would be expended for the specific construction contemplated. In addition, any further grants would be subject to an inspection of the property by competent personnel.

4. Prior to making a determination on either of the alternative methods however, further information must be obtained from interested operational and administrative offices with respect to the present housing requirements and future utilization of the property. If the property concerned is to be utilized in the future, e.g. a period of three to four years, it appears desirable that a present option to purchase be exercised. A consequence of the present election to purchase would be that the subcontractor would then be placed in a position to obtain private financing. This obviously would eliminate the Government from any financing responsibilities.

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5. [REDACTED] is to coordinate this matter with FE, Colonel [REDACTED] and other interested representatives, to determine the matters remaining unresolved.

6. This is a matter which appears to require our coordination only, since the matter of financing through the Government, progress or advance payments, or through private sources, based on our election to purchase within one year from the date of completion, is a matter of operational and administrative concern.

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[REDACTED]

OGC/JBK:imm